

Press Release

Cipsatec India Private Limited

May 09, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA BBB minus**) and short term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs. 40.00 crore bank facilities of Cipsatec India Private Limited. The outlook is '**Stable**'.

CTIPL was incorporated as CIPSA-RIC India Private Limited in 2005 and acquired the business from erstwhile Rao Insulating Company Limited (RIC) which started manufacturing of Printed Circuit Boards (PCB) in 1987. In December 2010, Technomec (Italy) acquired 10 per cent stake in CIPSA-RIC India Private Limited and subsequently the entity was renamed as CIPSA Tec India Private Limited. In FY2014, there was an equity stake sale by the company to M/s. Circuit Makers (S) Pte Ltd, which currently it owns 85 percent share in the company. The manufacturing plant is at Bangalore with an installed capacity of 18,000 square meters per month.

Key Rating Drivers

Strengths

- **Established track record of operations**

CTIPL is engaged in manufacturing of printed circuit boards since 1987. Over the years the company has been able to forge healthy relationships with its customers and suppliers.

- **Reputed clientele**

CTIPL caters to reputed clients which include Larsen & Toubro Pricol Limited among others. The company has been catering to them since last 11 years and has been able to get repeat orders from them.

- **Healthy operating margins**

CTIPL's EBITDA margin displays an uneven but improving trend. After a decline from 15.44 per cent in FY2014 to 10.36 per cent in FY2015 the margin remained stable in FY2015-16. SMERA believes that the company's strategy to add new customers and focus on marketing will lead to improvement in margins going ahead.

- **Healthy financial risk profile**

CTIPL has a healthy financial risk profile marked by networth of Rs.42.74 crores as on March 31 2016. Gearing stands at 0.51 times as on March 31 2016. The company is currently undergoing technology upgradation project for which it has been sanctioned a term loan of Rs.5.00 crores in FY2017. Factoring this additional debt in the books the gearing continues to remain comfortable at below 1 times. The interest coverage ratio of the company stood at 2.03 times in FY2016 and is expected to remain comfortable going ahead.

Weaknesses

• Uneven revenue trend

CTIPL's revenue has displayed an uneven trend during the period under study. Revenues declined from Rs.81.47 crores in FY2015 to Rs.74.13 crores in FY2016. As per provisional financials the company has reported revenues of Rs.87.22 crores in FY2017.

• Working capital intensive nature of operations

CTIPL's operations are working capital intensive due to high inventory holding. However ~85% of the inventory is in the form of WIP. Further debtor days are high at around 90 - 100 days with 35% debtors outstanding for more than 6 months. The bank limit utilisation of the company stands at 94.58% for 6 months ended March 2017.

• Margins susceptible to forex fluctuations raw material prices and intense competition

CTIPL imports around 79% of its raw material requirements while exports constitute less than 10% of its sales. Thus the company is susceptible to foreign exchange fluctuations. The company mitigates this risk by booking forward contracts. Further the company's key raw materials include Copper and Aluminium prices of which are fluctuating. CTIPL faces intense competition from domestic players as well cheap Chinese imports thus making the company susceptible to unevenness in revenues and stress on margins.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of CTIPL to arrive at the rating.

Outlook: Stable

SMERA believes that CTIPL will maintain a stable outlook in the medium term. The outlook may be revised to Positive if the scale of operations increases substantially while also maintaining operating profitability. Conversely, the outlook may be revised to negative if the company fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded or working capital requirements.

About the Rated Entity - Key Financials

For FY2015-16, CTIPL reported net profit after tax of Rs.2.85 crore on operating income of Rs.74.13 crore, as compared with PAT of Rs.0.58 crore on operating income of Rs.81.47 crore in FY2014-15. Tangible networth stands at Rs.42.74 crores as on March 31, 2016 as against Rs.39.89 crores in the previous year.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BBB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	13.50	SMERA A3
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A3
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A3

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 varsha.bist@smera.in
Vinita Ida Rodrigues Manager - Rating Operations Tel: 022-67141115 vinita.rodrigues@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.